COUNCIL
RESOLUSION
2011-01-27
BESLUIT
RAAD

LMC/Nov10/23
COUNCIL: 27 January 2011

4. OFFICE OF THE EXECUTIVE MAYOR
(GOVERNANCE EXECUTIVE SUPPORT)
ANNUAL REPORTS OF CIVIRELO WATER – 2009/2010 FINANCIAL YEAR
(From the Audit & Performance Committee of the CoT and its Municipal Entities: 14 December 2010 and the Special Mayoral Committee: 13 January 2011)

1. PURPOSE

The purpose of the report is to obtain the recommendations of the Audit & Performance Committee of the City of Tshwane (CoT) and it Municipal Entities (ME) on the Annual Report of Civirelo Water for 2009/2010 financial year in terms Section 121 (4)(g) of the Municipal Finance Management Act (MFMA).

2. STRATEGIC OBJECTIVES

The report focus of the following strategic objective:

Strategic Objective 5:	To promote sound governance, ensure financial sustainability and optimal institutional transformation to ensure capacity to achieve set objectives.
KPA 5.1:	Sound Governance
5.1.2	The CoT complies with all relevant legislation, and where it cannot obtains permission from the relevant authority.

3. BACKGROUND

The Performance Audit Committee of the CoT and its Municipal Entities is the Audit Committee of Civirelo Water, Housing Company Tshwane and Sandspruit Works Association with effect of 29 October 2009.

The Committee must advise the board of directors, the accounting officer and the management staff of the said municipal entities on financial statements and performance reports and must inform the board of directors regarding important issues which must be addressed concerning the preparation and discussion of the financial statements and performance reports.

It should be noted that although the CoT assists with the logistic arrangement for the Performance Audit Committee of the CoT and its Municipal Entities Committee i.e. the drafting of this covering report. The correctness and contents of the information in the annexures to this report is the responsibility of the municipal entities.

4. LEGISLATIVE PROVISIONS PERTAINING TO THE ANNUAL REPORT OF A MUNICIPAL ENTITY

Section 121 (4) of the MFMA provides that the annual report of a municipal entity must include-

(a) the **annual financial statements of the entity**, as submitted to the Auditor-General for audit in terms of section 126 (2) of the MFMA;

(b) the **Auditor-General's audit report** in terms of section 126 (3) of the MFMA on those financial statements;

(c) **an assessment by the entity's accounting officer** of any **arrears** on municipal **taxes** and service **charges**;

(d) **an assessment by the entity's accounting officer** of the entity's **performance** against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality;

(e) particulars of **any corrective action taken or to be taken** in response to issues raised in the audit report referred to in paragraph (b) above;

(f) any information as determined by the entity or its parent municipality;

(g) any **recommendations of the audit committee** of the entity or of its parent municipality; and

(h) any other information as may be prescribed.

As mentioned above, Section 121(4)(g) of the MFMA requires that the recommendations of the audit committee of the entity or of its parent municipality must be included into the Annual Report of the municipal entities.

The Chief Executive Officer, as the accounting officer of Civirelo Water, must ensure that the recommendations of the Audit Committee is included in the Annual Report and that the finalised Annual Report is approved by the Board of Directors before it is submitted to the CoT on or before 17 December 2010.

The Annual Report of Civirelo Water will be consolidated with the Annual Report of the CoT, which will serve before the Council of the CoT on or before 31 January 2011.

5. ANNUAL REPORTS OF CIVIRELO WATER

The Annual Report for Civirelo Water for the financial year 2009/2010 is attached hereto as Annexure "A".

6. COMMENTS OF THE STAKEHOLDER DEPARTMENTS

6.1 COMMENTS OF THE CHIEF FINANCIAL OFFICER

The purpose of the report is to obtain the recommendations of the Audit and Performance Committee of the City of Tshwane and the Municipal Entities on the Annual Report of Civirelo Water for the 2009/2010 financial year in terms of Section 121 (4)(g) of the Municipal Finance Management Act (MFMA).

It is mentioned that there are no financial implication from this report for the CoT.

6.2 COMMENTS OF THE STRATEGIC EXECUTIVE DIRECTOR: CORPORATE AND SHARED SERVICES

6.2.1 LEGAL SERVICES

The purpose of this report is to obtain the recommendations of the Audit & Performance Committee of the City of Tshwane (CoT) and it Municipal Entities (ME) on the Annual Report of Civirelo Water for 2009/2010 financial year in terms Section 121(4)(g) of the Municipal Finance Management Act (MFMA).

The report is submitted in compliance with section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003). This Legal Services Division is taking cognisance of the contents of the report and also of the fact that the said ME is in a process of being "closed down". It is anticipated that all matters that may require further action will be attended to during such closing down process.

As such this Division supports the recommendations to the report.

7. IMPLICATIONS

7.1 HUMAN RESOURCES

The report does not have any Human Resource related impact for the CoT.

7.2 FINANCES

The report does not have any financial implications for the CoT.

7.3 CONSTITUTIONAL AND LEGAL FACTORS

The report is in accordance with the legislative requirements of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

7.4 COMMUNICATION

Communication will be done as and when required in terms of legislation.

8. CONCLUSION

The Chief Executive Officer of Civirelo Water must ensure that the recommendations of the Audit Committee to its Annual Report for 2009/2010 are included in the Annual Report of 2009/2010.

Furthermore, the CEO must ensure that the finalised Annual Report for 2009/2010 is approved by Civirelo Water's Board of Directors and submitted to the CoT on or before 17 December 2010.

IT WAS RECOMMENDED: (TO THE AUDIT & PERFORMANCE COMMITTEE OF THE CoT AND ITS MUNICIPAL ENTITIES: 14 DECEMBER 2010)

1. That cognisance be taken of the Annual Report of Civirelo Water for the financial year 2009/2010;

2. That the recommendations of the Audit and Performance Committee of the CoT & its Municipal Entities on the Annual Report of Civirelo Water for the financial year 2009/2010 be communicated by the Chief Executive Officer of Civirelo Water to the Board of Directors of Civirelo Water;

3. That the Chief Executive Officer of Civirelo Water must ensure that the Annual Report for 2009/2010 is approved by the Board of Directors of the Civirelo Water; and

4. That the Chief Executive Officer of Civirelo Water must ensure that the finalised Annual Reports of Civirelo Water for 2009/2010 is submitted to the CoT on or before 17 December 2010.

During the discussion of this item by the members of the Audit and Performance Committee at its meeting held on 14 December 2010, the Committee agreed that this item be held in abeyance as the representative from Housing Company Tshwane was not present. The Chairperson requested the Chief Executive Officer to ensure that the annual report be edited and structured properly before it serves at the next meeting of the Audit and Performance Committee.

It was therefore resolved to recommend as set out below:

IT WAS RESOLVED (BY THE AUDIT & PERFORMANCE COMMITTEE OF THE CoT AND ITS MUNICIPAL ENTITIES: 14 DECEMBER 2010):

1. That this item be held in abeyance as there was no representative from Civirelo Water at the meeting; and

2. That the Chief Executive Officer ensure that the annual report be edited and structured properly before it serves at the next meeting of the Audit and Performance Committee.

It is therefore again recommended as set out below:

The Special Mayoral Committee on 13 January 2011 recommended to Council as set out below:

IT WAS RECOMMENDED (TO THE COUNCIL: 27 JANUARY 2011):

1. That cognisance be taken of the Annual Report of Civirelo Water for the financial year 2009/2010;

2. That the recommendations of the Audit and Performance Committee of the CoT & its Municipal Entities on the Annual Report of Civirelo Water for the financial year 2009/2010 be communicated by the Chief Executive Officer of Civirelo Water to the Board of Directors of Civirelo Water;

3. That the Chief Executive Officer of Civirelo Water must ensure that the Annual Report for 2009/2010 is approved by the Board of Directors of the Civirelo Water; and

4. That the Chief Executive Officer of Civirelo Water must ensure that the finalised Annual Reports of Civirelo Water for 2009/2010 is submitted to the CoT on or before 17 December 2010.

After the Speaker has officially tabled the 2009/10 Annual Report and Annual Reports of Municipal Entities to Council on 27 January 2011, the Executive Mayor seconded by Cllr Prof HF Redelinghuys proposed that this report be submitted to MPAC for oversight purposes and it be resubmitted to Council in March 2011 for deliberations and approval in terms of Section 129 of the Municipal Finance Management Act.

ANNEXURE:

A: Civirelo Water – Annual Report 2009/2010

RESOLVED:

1. That this report be submitted to MPAC for oversight purpose and it be resubmitted to the Council meeting of 31 March 2011 for deliberations and approval in terms of Section 129 of the Municipal Finance Management Act.

2. That cognisance be taken that, in order to comply with the provisions of Chapter 12 of the Municipal Finance Management Act this report will be made available to members of the public who are invited to submit written comments to the municipality through the Office of the City Manager.

COUNCIL
RESOLUSION
2011 -01- 27
BESLUIT
RAAD

CIVIRELO WATER ANNUAL REPORT 2009/2010

CIVIRELO WATER

Reg. No: 2000/024288/08
Section 21 Company

PERFORMANCE REPORT FOR THE FINANCIAL YEAR 2009/2010

PERFORMANCE REPORT 2009 / 2010

INTRODUCTION AND OVERVIEW

1. ACTING CHIEF EXECUTIVE OFFICERS COMMENT:

Civirelo Water was officially closed down on the 30th June 2010. The deregistration period was managed by the City of Tshwane with the assistance of Auditors and an external law firm.

a) The Acting CEO is working on the Auditor General's audit for the 2009/2010 financial year. It is anticipated that all activities will seize at the end of December.

b) Civirelo Water reached its tenth year of operation on 30 June 2010. The company completed successfully a total amount of some 55 capital projects on municipal infrastructure development to the value of R368 million for some 46 000 residential sites. The amounts spend on infrastructure development for the 2009 – 2010 financial year was R18.93 million.

c) Currently Civirelo Water's board of directors comprises of four directors since one director resigned during July 2008 and another director resigned in the beginning of 2009. One director serves as the Acting CEO of the company. This is the board that was appointed in 2006 to specifically ensure compliance to the Municipal Finance Management Act and the Municipal Systems Act as dictated by the Compliance Section of the City of Tshwane. The company was established in terms of the Promotion of Local Government Affairs Act.

d) A Transfer Agreement was signed by the Civirelo Water Board and the City of Tshwane. This is in recognition of the closure and handing over the company to City of Tshwane. All assets and liabilities have been taken over by the City.

e) As part of the process a thorough due diligence process was conducted by the City of Tshwane, however an internal audit was not done by the City of Tshwane as required for the annual audit.

Acting Chief Executive Officer

2. Capital Budget

The objectives of the Company are to assist the City of Tshwane in the developing of low cost housing for the community. This is done by the active roll of the company in the planning process of new developments and the installation of infrastructure. Even though Civirelo Water was closed down as at 30 August 2010, a budget for 2010/2011 was submitted as per the City's request. The capital budget for the installation of various infrastructure services in Soshanguve was set at R 190 million for the 2010/2011 financial year. This budget was compiled with the assumption that payment for services installed amount of R 58 million from external funds will realize and that the invested amount of R 97 million will be available from the City of Tshwane for top up funding and bulk services already installed by Civirelo Water.

Civirelo Water Capital Budget 2009/2010				
Insert programme/projects description		2008/2009	2009/2010	2010/2011
Sosh Block R Roads and Stormwater		7,855	800	2800
Sosh Block S Roads and Stormwater		–	5000	2000
Sosh Block P Roads and Stormwater		5,216	900	5000
Sosh Block T & T Ext 1 Roads and Stormwater		–	6240	2660
Sosh Block V & V Ext 1 Roads and Stormwater		–	18560	6000
Sosh Block X Roads and Stormwater		–	10500	2000
Sosh Block W Roads and Stormwater		562	7800	2000
Sosh South Ext 10 Roads and Stormwater		692	6000	6000
Sosh Block H Ext, L Ext, M Ext Roads and Stormwater		–	8441	5000
Sosh IA and NN / Mabopane Outfall Sewer		4,264	340	340
Sosh Block KK and KK Ext 1 Roads and Stormwater		805	5000	6000
Sosh Block MM Water and Sewer		5,900	800	800
Sosh Block MM Roads and Stormwater		–	12700	8000
Sosh Schoolsites Roads and Stormwater		–	5000	3000

Sosh Block SS Ext 5 Water and Sewer		5,911	430	1200
Sosh Block SS Ext 5 Roads and Stormwater		-	10600	8000
Sosh South Ext 1 PIII (Mineral Claim Area) Civil Services		295	9600	6500
Sosh Block KK and KK Ext Sewer				2100
Sosh South and TT Stormwater Litigation				800
Sosh Block T Sewer Remedial works				900
Erf 429 R & 1865P W&S				150
Sosh South Ext 10 Sewer Phase II				6000
Capital multi-year expenditure sub-total		31,501	106511	77250
Funded by:				
National Government			-	
Provincial Government		57,235	61387	47250
Parent Municipality		-	45124	30000
District Municipality			-	
Transfers recognised - capital		57,235	106511	77250

By December 2007, none of the Gauteng Housing contracts for development of the school sites were signed by the City of Tshwane although the contracts were submitted to the City of Tshwane during February 2007. Permission was given that Civirelo Water may enter into contracts directly with Gauteng Housing. Four of the nine contracts were concluded between Civirelo Water and Gauteng Housing and payment to the amount of R 27 million were received from Gauteng during February 2008. **To date the remaining five contracts are still not signed between the City of Tshwane and Gauteng Housing** and the remaining R 26 million also not paid to the City of Tshwane. The total amount received from the City of Tshwane for this financial year was R5 227 896.49. All contractors and supplier invoices were paid until July 2010 when the City of Tshwane took over.

3. Capital Budget Targets

The company still managed to invest a total amount of R 18.93 million in infrastructure during the 2009/2010 financial year which gives a 100% expenditure on available capital. This figure did not match the objectives as set out in the Strategic Business Plan for Good Governance of Civirelo Water which was submitted to the City of Tshwane. No new projects was activated and only the existing running projects were completed, because of the none payment of funds and the COT's decision to close the company.

4. Job Creation

Objective for the creation of medium term jobs was reached according to the availability of funds for the executed projects. Projects that were running were stopped as per City of Tshwane's instruction and people were laid off at all sites.

5. Community Liaison

No preset amounts of interaction with the community were submitted. Meetings and interaction with the community take place at least once a month per project and more meetings with the liaison officers of each project as and when requires. The board members of Civirelo water have been to Soshanguve as part of the project monitoring and assessment process.

6. Serviced Sites

The total infrastructure developed and installed can be summarised as follows;

Total amount of erven planned and surveyed	0
Total amount of erven serviced with a water connection	250
Total amount of erven serviced with a sewer network	560

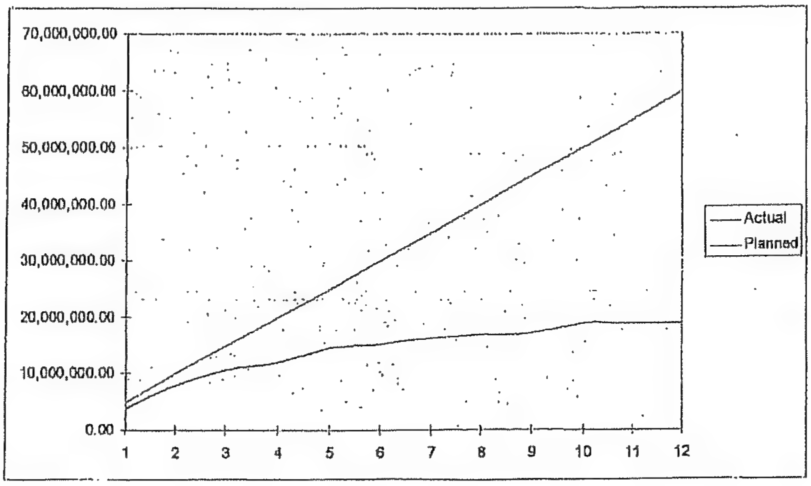
Total amount of erven serviced with roads and stormwater drainage. 8500

7. Employment Equity and Human Resources

The board of directors is 67% from designated target in terms of the City of Tshwane's Employment Equity plan.

Human Resources
Civirelo Water had two employees and Acting CEO and an assistant. The assistant's contract ended in June 2010. The Acting CEO's contract ends on the 31st December 2010.

8. Project Expenditure



Expenditure per project.

CIVIRELO WATER			
No	Project	2008/2009	2009/2010
1	Sosh KK & KK Ext Sewer	245,843.81	2,488,774.99
2	Sosh H Ext,L Ext & M Ext Sewer	232,846.91	272,482.17
3	Sosh KK & KK Ext Roads & SW	390,294.82	0.00
4	Sosh Block P Roads & SW	11,834,349.40	3,628,729.30
5	Sosh Block IA & NN Roads & SW	10,727,738.69	0.00
6	Sosh IA & NN Outfall sewer.	2,097,316.56	263,177.78
7	Sosh Block R Roads & SW	5,230,702.95	4,602,274.03
8	Sosh South Ext 10 Water and Sewer	263,750.00	527,500.00
9	Sosh V and V Ext Roads & Stormwater	1,343,764.98	74,290.65
10	Sosh MM Water and sewer	704,037.68	0.00
11	Sosh Schoolsites R & P	477,892.47	142,614.34
12	Sosh SS Ext 5 Water & Sewer	3,817,942.77	1,652,098.49
13	Sosh X Ext Roads & Stomwater	0.00	0.00
14	Sosh South Ext 10 Roads & Stormwater	0.00	0.00
15	Sosh SS Ext 5 Roads & Stomwater	0.00	0.00
15	Sosh H Ext,L Ext & M Ext Roads	239,329.33	0.00
16	Sosh South I Mineral Claim	212,629.51	0.00
17	Sosh South 4 & 5 Roads & SW	2,450,879.37	0.00
18	Sosh Schoolsites Roads & Stormwater	0.00	0.00
19	Sosh Y Ext & X Ext Roads	0.00	0.00
20	Sosh HH,JJ GG Schoolsites Water & Sewer	129,516.79	0.00
21	Sosh X,Y,V,T Schoolsites Water & Sewer	201,573.76	0.00
22	Schoolsites Township Planning	1,327,462.46	0.00
23	Sosh Block V Ext Water and Sewer	0.00	263,750.00
24	Sosh Block V Sewer	105,500.00	400,430.73
25	Sosh South 4 & 5 Toilet Structures	105,500.00	0.00
26	Sosh South Roads & Stormwater P II	724,495.17	0.00
27	Sosh South & TT Roads & Stormwater	198,156.67	0.00
28	Sosh T Sewer Remedial Work	481,442.47	0.00
29	Sosh South Ext 10 Sewer Phase II	1,122,183.56	3,362,184.06
30	Bona Terra Litigation		864,462.47
31	OH&S	382,069.66	187,229.05
	Total for Year	46,047,020.11	18,929,998.07

9. Outstanding Payments

9.1 Bulk Services and Top Up Funding (City of Tshwane)

Up to date the total amount of R 28 million is outstanding for payment by the City of Tshwane to Civirelo Water for top up funding and bulk services installed. This amount emanates out of various projects implemented by Civirelo Water over the past five to six years. We believe that the City of Tshwane will sort this out as the owner of Civirelo Water.

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9.2 Outstanding Payment from Gauteng Housing

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The total amount of R 57.994 million is outstanding from Gauteng Provincial Government, Department of Housing for work done by Civirelo Water. Claims to the amount of R 46 million were submitted to the City of Tshwane at the end of September 2008 to claim the money from Gauteng Housing. Up to date, not a single cent of these claims, for work already done by Civirelo Water, has been claimed. The City of Tshwane managed to pay Civirelo Water only R 21 121 342.50 as bridging finance on the outstanding amounts.

The total amount due to Civirelo Water by Gauteng Provincial Government, Department of Housing is summerised in the table below. All the amounts exclude interest and VAT. The R 21 million bridging finance is not included in the table below.

9.3 Conclusion

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Civirelo Water's officially stopped in June 2010 and al assets and liabilities transferred to City of Tshwane

Civirelo Water (Association incorporated i.t.o section 21)
(Registration number 2000/024288/08)
Annual Financial Statements
for the year ended 30 June 2010

General Information

Nature of business and principal activities	Project management in infrastructure development
Directors	KR Kekana (Executive) JF Naude SL Mashabela VG Mtembu
Registered office	16 Dale Avenue Doreg Agricultural Holdings Akasia 0118
Postal address	P.O. Box 59126 Karen Park 0118
Bankers	ABSA Bank
Auditors	Auditor-General Chartered Accountants (S.A.) Registered Auditors

Index

The reports and statements set out below comprise the annual financial statements presented to the parent municipality:

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CTMM	City of Tshwane Metropolitan Municipality
IGRAP	Approved guidelines of Standards of Generally Recognised Accounting Practice

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, standards for internal control has been set which are aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

A Special resolution has been passed to deregister the entity and a Transfer Agreement has been signed with CTMM on 30 June 2010.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 8 to 28, which have been prepared on the going concern basis as the operations of the company are transfered to the CTMM, were approved by the accounting officer on 31 August 2010 and were signed by:

Accounting Officer: CEO

Director

PRETORIA

31 August 2010

Report of the Auditor General

I have audited the accompanying annual financial statements of the Civirelo Water (Association incorporated i.t.o section 21) which comprise the statement of financial position as at 30 June 2010, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 8 to 28.
AG1

AG3

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2010.

1. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal entity and is engaged in project management in infrastructure development and operates principally in South Africa.

During the year there were no major changes in the activities of the business.

The entity ceased all activities on 30 June 2010 and all assets, liabilities and activities were taken over by CTMM in terms of a Transfer Agreement dated 30 June 2010.

Net surplus of the entity was R34 802 933 (2009: loss R17 578 447).

2. GOING CONCERN

The annual financial statements have been prepared on the going basis as the CTMM has taken over the operations of the entity with effect from 1 July 2010.

3. SUBSEQUENT EVENTS

The accounting officer is only aware of the matters as disclosed elsewhere in these financial statements.

A special resolution has been passed on 30 June 2010 resolving that the entity will cease all activities on 30 June 2010 and that all assets, liabilities and activities of the entity will be taken over by CTMM in tems of a Transfer Agreement dated 30 June 2010.

4. SHARE CAPITAL / CONTRIBUTIONS FROM OWNERS

The entity is incorporated in terms of section 21 of the Companies' Act and does not have any authorised or issued capital.

5. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the entity during the year, nor in the policy relating to the use thereof. All non-current assets were transfered to CTMM on 30 June 2010 in tems of the Transfer Agreement.

6. DIVIDENDS

No dividends were declared or paid to the shareholders during the year.

7. DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

Name
KR Kekana (Executive)
JF Naude
SL Mashabela
VG Mtembu

Accounting Officer's Report

8. SECRETARY

The secretary of the entity is KR Kekana of:

Business address

186 Smith Street
Unit 5 Block B
Fairlands Office Park
Fairlands
2030

Postal address

PO Box 731456
Fairlands
2030

9. MEMBER AND EXECUTIVE MANAGERS EMOLUMENTS

	Salary or Fee	Total package 2010	Total package 2009
Non-Executive Members			
SL Mashabela	156 663	156 663	108 000
CG Mtembu	215 793	215 793	108 000
JF Naude	139 302	139 302	108 000
Dr C Niehaus	-	-	68 000
	511 758	511 758	392 000
Executive Members			
KR Kekana	2 378 606	2 378 606	1 608 000

10. CONTROLLING ENTITY

The entity's controlling entity is City of Tshwane Municipality.

11. SPECIAL RESOLUTIONS

In a resolution that was passed at a general meeting held on 30 June 2010, the directors of the entity were specifically authorised to:

- Enter into a Transfer Agreement with CTMM in terms of which the enterprise of Civirelo Water is transferred to CTMM.
- Deregister and dissolve Civirelo Water in accordance with the provisions of Section 21 of the Companies Act 61 of 1973 once all of its obligations in terms of the Transfer Agreement have been duly complied with.

Ms. Kedibone Kekana was authorised to sign the Transfer Agreement on behalf of Civirelo Water and to do all further acts and sign all further documents in order to implement the Transfer Agreement and the above resolutions.

12. BANKERS

The bankers of the entity are ABSA Bank of South Africa Ltd.

Accounting Officer's Report

13. AUDITORS

Auditor-General will continue in office untill the entity has been deregistered.

CEO: KR Kekana-Mooi

Civirelo Water (Association incorporated i.t.o section 21)

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Inventories	6	28 045 992	16 354 640
Trade and other receivables from exchange transactions	7	2 358 491	11 643 257
VAT receivable	8	2 740 752	-
Cash and cash equivalents	9	250 352	13 756 789
		33 395 587	41 754 686
Non-Current Assets			
Property, plant and equipment	3	37 591	55 333
Intangible assets	4	-	1 620
		37 591	56 953
Total Assets		33 433 178	41 811 639
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	11	5 227 511	6 111 146
VAT payable	12	-	2 111 878
Unspent conditional grants and receipts	10	22 629 821	62 815 702
Total Liabilities		27 857 332	71 038 726
Total Assets		33 433 178	41 811 639
Total Liabilities		(27 857 332)	(71 038 726)
Net Assets		5 575 846	(29 227 087)
NET ASSETS			
Accumulated surplus/(short fall)		5 575 846	(29 227 087)

Civirelo Water (Association incorporated i.t.o section 21)
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	14	43 263 195	27 013 432
Cost of sales		(2 353 026)	(40 163 515)
Gross surplus (deficit)		**40 910 169**	**(13 150 083)**
Other income		898 873	227 845
Operating expenses		(6 889 193)	(6 562 392)
Operating surplus (deficit)	15	**34 919 849**	**(19 484 630)**
Investment revenue	17	247 612	1 906 211
Finance costs	18	(364 528)	(28)
Surplus (deficit) for the year		**34 802 933**	**(17 578 447)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/(short fall)	Total net assets
Balance at 01 July 2008	(11 648 640)	(11 648 640)
Changes in net assets		
Deficit for the year	(17 578 447)	(17 578 447)
Total changes	(17 578 447)	(17 578 447)
Balance at 01 July 2009	(29 227 087)	(29 227 087)
Changes in net assets		
Surplus for the year	34 802 933	34 802 933
Total changes	34 802 933	34 802 933
Balance at 30 June 2010	5 575 846	5 575 846

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		14 715 072	23 937 144
Interest income		247 612	1 906 211
Other receipts		898 873	974 434
		15 861 557	26 817 789
Payments			
Employee costs		(1 609 094)	(2 058 183)
Suppliers		(27 394 372)	(49 645 309)
Finance costs		(364 528)	(28)
		(29 367 994)	(51 703 520)
Net cash flows from operating activities	21	(13 506 437)	(24 885 731)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	-	(22 218)
Net increase/(decrease) in cash and cash equivalents		(13 506 437)	(24 907 949)
Cash and cash equivalents at the beginning of the year		13 756 789	38 664 738
Cash and cash equivalents at the end of the year	9	250 352	13 756 789

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

The useful lives of items of property, plant and equipment have been assessed as follows:

1.2 Property, plant and equipment (continued)

Item	Average useful life
Furniture and fixtures	6 years
Office equipment	6 years
IT equipment	3 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of Property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	2 years

Accounting Policies

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Equity instruments are recorded at the amount received, net of direct issue costs.

1.5 Inventories

Inventories comprise work-in-progress and are measured at the lower of cost and net realisable value.

Net realisable value is the estimated value that will be recovered from customers in the ordinary course of business less the estimated costs of completion.

The cost of reporting date comprises of all costs of purchase, costs of contractors and other costs incurred in bringing the work-in-progress to their present stage of completion.

When work-in-progress are invoiced, the carrying amount of those work-in-progress are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of work-in-progress to net realisable value and all losses of work-in-progress are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of work-in-progress, arising from an increase in net realisable value, are recognised as a reduction in the amount of work-in-progress recognised as an expense in the period in which the reversal occurs.

1.6 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.7 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Accounting Policies

1.7 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.8 Revenue

Revenue comprises of services rendered to CTMM. Revenue is stated at the invoice amount and is exclusive of value added taxation. Revenue is recognised by reference to the stage of completion of the transaction at the statement of financial position date. Revenue recieved in advance is recorded as deferred income until the terms and the conditions of the grant is met.

1.9 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by the applicable standard.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

IPSAS 21: Impairment of Non Cash-Generating Assets

IPSAS 20: Related Party Disclosure

August 2008 Annual Improvements to IFRS's: IFRS 7 (AC 144) Financial Instruments: Disclosures

August 2008 Annual Improvements to IFRS's: IAS 19 (AC 116) Employee Benefits

August 2008 Annual Improvements to IFRS's: IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 23: Revenue from Non-exchange Transactions

GRAP 24: Presentation of Budget Information in the Financial Statements

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

GRAP 21: Impairment of non-cash-generating assets

GRAP 26: Impairment of cash-generating assets

GRAP 25: Employee benefits

GRAP 104: Financial Instruments

August 2008 Annual Improvements to IFRS's: Amendments to IAS 32 (AC 125)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	5 844	(2 273)	3 571	5 844	(1 299)	4 545
Office equipment	39 533	(18 732)	20 801	39 533	(13 185)	26 348
IT equipment	55 454	(42 235)	13 219	55 454	(31 014)	24 440
Total	100 831	(63 240)	37 591	100 831	(45 498)	55 333

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Depreciation	Total
Furniture and fixtures	4 545	(974)	3 571
Office equipment	26 348	(5 547)	20 801
IT equipment	24 440	(11 221)	13 219
	55 333	(17 742)	37 591

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	5 519	-	(974)	4 545
Office equipment	31 452	-	(5 104)	26 348
IT equipment	10 104	22 218	(7 882)	24 440
	47 075	22 218	(13 960)	55 333

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

4. INTANGIBLE ASSETS

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	61 140	(61 140)	-	61 140	(59 520)	1 620

Reconciliation of intangible assets - 2010

	Opening Balance	Amortisation	Total
Computer software	1 620	(1 620)	-

Reconciliation of intangible assets - 2009

	Opening Balance	Amortisation	Total
Computer software	3 240	(1 620)	1 620

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2010

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Held to maturity investments	Total
Trade and other receivables	2 487 991	-	-	-	2 487 991
Cash and cash equivalents	250 352	-	-	-	250 352
	2 738 343	-	-	-	2 738 343

2009

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Held to maturity investments	Total
Trade and other receivables	11 643 257	-	-	-	11 643 257
Cash and cash equivalents	13 756 789	-	-	-	13 756 789
	25 400 046	-	-	-	25 400 046

6. INVENTORIES

	2010	2009
Work in progress	28 045 992	16 354 640

7. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2010	2009
Trade debtors	-	11 637 757
Deposits	5 500	5 500
Other receivable	2 352 991	-
	2 358 491	11 643 257

8. VAT RECEIVABLE

	2010	2009
VAT	2 740 752	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	123	4 722
Bank balances	155 261	3 543 269
Short-term deposits	94 968	10 208 798
	250 352	13 756 789

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand, can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
F1+(zaf)	250 229	13 752 067

10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Deferred income relates to contract revenue received before the contract is finalised. This amount was received in advance and will be recognised as income as expenditure is incurred.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Income received in advance	22 629 821	62 815 702

Movement during the year

Balance at the beginning of the year	62 815 702	54 254 233
Additions during the year	-	8 561 469
Income recognition during the year	(40 185 881)	-
	22 629 821	62 815 702

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	3 606 016	5 949 777
Other payables	1 621 495	161 369
	5 227 511	6 111 146

12. VAT PAYABLE

VAT	-	2 111 878

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

13. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other payables	5 227 504	-	-	5 227 504

2009

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other payables	6 111 149	-	-	6 111 149
Other	2 111 878	-	-	2 111 878
	8 223 027	-	-	8 223 027

14. REVENUE

	2010	2009
Services rendered	43 263 195	27 013 432
The amount included in revenue arising from exchanges of goods or services are as follows:		
Services Rendered	43 263 195	27 013 432

15. OPERATING SURPLUS (DEFICIT)

Operating surplus (deficit) for the year is stated after accounting for the following:

	2010	2009
Operating lease charges		
Premises		
• Contractual amounts	64 775	61 250
Equipment		
• Contractual amounts	5 704	8 421
	70 479	69 671
Consulting and professional fees	-	245 385
Depreciation on property, plant and equipment	19 362	15 580
Employee costs - basic	3 069 220	2 219 552
Penalties - SARS late payments	501 878	-

16. EMPLOYEE RELATED COSTS

	2010	2009
Basic	178 855	219 552

For details of remuneration of Members and Executive Managers refer to Note 9 in the Accounting Officer's Report.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

17. INVESTMENT REVENUE

Interest revenue		
Bank	247 612	1 906 211

18. FINANCE COSTS

Late payment of tax	335 608	-
Other interest paid	28 920	28
	364 528	28

19. TAXATION

No provision has been made for 2010 tax as the entity has been granted tax exemption by SARS in terms of section 10 of the Income Tax Act.

20. AUDITORS' REMUNERATION

Fees	324 483	258 285

21. CASH USED IN OPERATIONS

Surplus (deficit)	34 802 933	(17 578 447)
Adjustments for:		
Depreciation and amortisation	19 362	15 580
Changes in working capital:		
Inventories	(11 691 352)	(1 690 715)
Trade and other receivables from exchange transactions	9 284 766	(10 891 168)
Trade and other payables from exchange transactions	(883 635)	(9 509 400)
VAT	(4 852 630)	6 206 950
Unspent conditional grants and receipts	(40 185 881)	8 561 469
	(13 506 437)	(24 885 731)

22. COMMITMENTS

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	-	63 000

Operating lease payments represent rentals payable by the entity for certain of its office properties. The term of the lease has expired and the premises are leased on a month to month basis. No contingent rent is payable.

23. CONTINGENCIES

The company has an unresolved legal matter. The company's attorneys are still in mediation with the plaintiffs' attorneys. It was agreed to enter in a mediation process. Depending on the outcome of the process, the company could incur costs estimated to be R300 000.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. RELATED PARTIES

Relationships	
Directors	Key management personnel
Holding company	City of Tshwane Municipality

Related party balances

	2010	2009
Amounts included in Trade receivable (Trade Payable) regarding related parties		
CTMM	-	11 637 757

Related party transactions

	2010	2009
Purchases from (sales to) related parties		
CTMM	(3 077 315)	(35 574 901)
Commission		
JF Naude	-	651 028

25. DIRECTORS' EMOLUMENTS

Emoluments paid to the directors during the year are reflected in note 9 to the Accounting Officer's Report.

26. RISK MANAGEMENT

Capital risk management

The capital structure of the entity consists of cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The entity's activities expose it in a limted way to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The entity is not exposed to currency risk or price risk.

The enitly does not actively seek funding from the open market as all its funding is obtained via the CTMM from the Department of Housing. The financial risk management of the entity is to ensure that it obtains the best interest rates on the investment of any excess funds it may have available at any given time.

26. RISK MANAGEMENT (continued)

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and negotiations with CTMM the parent entity who is responsible for supplying the funds for the projects executed by the entity. The entity is dependent on the timeous release of funds by the CTMM for the ongoing operations of the entity.

Cash flow forecasts are prepared.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	5 227 511	-	-	-
Deferred income	22 629 821	-	-	-

At 30 June 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	8 068 426	-	-	-
Deferred income	62 815 702	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise only of CTMM.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2010	2009
ABSA Bank	250 229	13 752 067

27. GOING CONCERN

The annual financial statements have been prepared on the going basis as the CTMM has taken over the operations of the entity with effect from 1 July 2010.

28. IRREGULAR EXPENDITURE

Salary related costs	673 572	-

The re-registration of the entity as employer for PAYE purposes was a very lengthy and drawn out process. As it was not registered with SARS for PAYE purposes it did not deduct PAYE from employees. It was eventually registered for PAYE and the PAYE was paid over to SARS from April 2010. The unpaid PAYE not deducted from employee salaries for previous PAYE periods amounted to R673,572. This resulted in salary related costs for the current financial year. The matter is currently being resolved with SARS.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

29. FRUITLESS AND WASTEFUL EXPENDITURE

Penalties for late/non payment of taxes	501 878	-
Interest on late payment of taxes	335 608	-
	837 486	-

The penalties and interest relate to the fact that VAT could not be paid in time due to cash flow constraints brought about by the non payment of claims submitted to the CTMM for work done. The company also incurred penalties and interest due to not paying over PAYE to SARS as the company was deregistered by SARS for PAYE purposes. The process to get the company registered again for PAYE purposes took extremely long, No disciplinary or other actions to recover the expenses have been taken as the problem did not arise due to the fault of an employee of the company.

30. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

The budget was drawn for the the 2009 / 2010 financial year and submitted to the parent municipality. The outcomes for the year were not drawn and linked to the budget because the main objective for the year was to conduct due diligence and deregister the entity. This objective was achieved. This meant that the budget could not be linked to project deliverables. Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus (deficit) per the statement of financial performance	34 802 933	(17 578 447)
Adjusted for:		
Over budget on revenue	33 986 805	48 986 568
Under budget on other income	(850 873)	(227 845)
Under budget on finance costs	352 528	28
Over budget on interest received	3 752 388	1 693 789
Over budget on operating expenses	(73 645 781)	(16 904 093)
Net (deficit) surplus per approved budget	(1 602 000)	15 970 000

31. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

VAT

VAT receivable	2 740 752	-
VAT payable	-	(2 111 878)
	2 740 752	2 111 878

VAT output payables and VAT input receivables are shown in notes 8 and 12.

All VAT returns for the year have been submitted by the due date for the year end.

Detailed Income statement

Figures in Rand	Note(s)	Budget 2010	Budget 2009	Actual 2010	Actual 2009
Revenue					
Services Rendered		77 250 000	76 000 000	43 263 195	27 013 432
Other income		48 000	-	898 873	227 845
Interest received - investment	17	4 000 000	3 600 000	247 612	1 906 211
Total Revenue		81 298 000	79 600 000	44 409 680	29 147 488
Expenditure					
Employee related costs	16	(2 990 000)	(2 850 000)	(3 069 220)	(2 219 552)
Administration		-	-	(12 000)	(75 011)
Depreciation and amortisation		(14 000)	-	(19 362)	(15 580)
Finance costs	18	(12 000)	-	(364 528)	(28)
Repairs and maintenance		-	-	(5 478)	(864)
General Expenses		(79 884 000)	(60 780 000)	(6 136 159)	(44 414 900)
Total Expenditure		(82 900 000)	(63 630 000)	(9 606 747)	(46 725 935)
Surplus (deficit) for the year		(1 602 000)	15 970 000	34 802 933	(17 578 447)

Supplementary Information

1. BANK ACCOUNTS

The entity had the following bank accounts	Bank statement balances 30 June 2010	Bank statement balances 30 June 2009	Cash book balances 30 June 2010	Cash book balances 30 June 2009
ABSA BANK - Current Account - 4052 561 692	18 521	2 212 691	18 521	2 212 691
ABSA BANK - Call Account Type - 9078 443 130	136 740	1 330 578	136 740	1 330 578
ABSA BANK - Short term deposit - 2067 858 115	-	3 234 810	-	3 234 810
ABSA BANK - Short term deposit - 9220 317 838	94 968	6 973 988	94 968	6 973 988
	250 229	13 752 067	250 229	13 752 067

The supplementary information presented does not form part of the annual financial statements and is unaudited

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY ON THE FINANCIAL STATEMENTS OF CIVIRELO WATER (ASSOCIATION INCORPORATED UNDER SECTION 21)

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I was engaged to audit the accompanying financial statements of Civirelo Water (Association Incorporated under Section 21) which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ....

Accounting officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa (MFMA) and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Inventory

As per GRAP 12, paragraph 17, inventory should be measured at the lower of cost and net realizable value. The entity could not provide sufficient appropriate audit evidence regarding the net realizable value of inventory recognised in the statement of financial position amounting to R28 045 992. Consequently I could not satisfy myself as to the valuation and classification of this amount. The entity's records did not permit the application of alternative audit procedures.

Disclaimer of opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Fruitless and wasteful expenditure

As disclosed in note 29 to the financial statements, fruitless and wasteful expenditure to the amount of R837 486 was incurred as a result of interest and penalties payable to the South African Revenue Services (SARS) for the late and incorrect payments of Value-Added-Tax (VAT).

Irregular expenditure

As disclosed in note 28 to the financial statements, irregular expenditure to the amount of R673 572 was incurred as a result of Pay-As-You-Earn (PAYE) not deducted from remuneration paid to all employees in the previous financial year and which resulted in an increase in salary related costs for the current financial year.

Going concern

As disclosed in note 27 to the financial statements, a special resolution was passed on 30 June 2010 that the entity will cease all activities and that all assets, liabilities and activities of the entity be transferred to the parent municipality in terms of the transfer agreement. The entity will subsequently be dissolved.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedule

The supplementary information set out on pages 29 to 30 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the MFMA, the Municipal Systems Act, the South African Income Tax Act and financial management (internal control).

Predetermined objectives

Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

Non compliance with regulatory and reporting requirements

Lack of adoption or implementation of a performance management system

Civirelo Water did not adopt a framework that describes and represents how the municipality entity's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the Municipal Systems Act, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Inadequate content of the strategic plan

The strategic plan of Civirelo Water did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the Municipal Systems Act and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

No reporting against predetermined objectives, indicators and targets

The municipal entity did not prepare and include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set, in terms if the service delivery agreement or other agreement between the entity and its parent municipality, as required by section 121(4)(d) of the MFMA.

No service delivery/other agreement

Civirelo Water did not enter into a service delivery agreement with the City of Tshwane for the development of low cost housing for the community, as required in terms of section 76 of the Municipal Systems Act and regulation 9(2) of the Municipal Planning and Performance Management Regulations, 2001.

Compliance with laws and regulations

Municipal Finance Management Act, 2003 (Act No.56 of 2003)

The accounting officer did not adhere to her statutory responsibilities

- Contrary to the requirements of section 95(c)(i) of the MFMA, the municipal entity did not have effective internal controls in place.
- Contrary to the requirements of section 165(2) of the MFMA, no internal audit work was conducted during the year under review.
- Contrary to the requirements of section 112 of the MFMA, the municipal entity did not maintain a supplier listing that complies with the requirements of the Supply Chain Management Regulations.

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

Expenditure was not incurred in accordance with the requirements of the MFMA as set out in section 1 the definition of "irregular expenditure" paragraph (a) of the MFMA.

Expenditure incurred was made in vain or could have been avoided resulting in fruitless and wasteful expenditure

Expenditure incurred was made in vain, and could have been avoided based on the fact that reasonable care had been exercised, as set out in section 1 the definition of "fruitless and wasteful expenditure" of the MFMA.

Municipal Systems Act, 2000 (Act No. 32 of 2000)

The statutory requirements of the Municipal Systems Act have not been complied with

Contrary to the requirements of section 93H(1)(b) of the Municipal Systems Act, the board of directors did not ensure compliance with all applicable legislation and agreements.

South African Income Tax Act, 1962 (Act No.58 of 1962)

The statutory requirements of the South African Income Tax Act have not been complied with

Contrary to the requirements of the Fourth Schedule of the South African Income Tax Act, the municipal entity was not registered as an employer until March 2010.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, the Municipal Systems Act, the South African Income Tax Act and the Companies Act, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported below are limited to the significant deficiencies regarding the basis for disclaimer of opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

The accounting officer did not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Financial and performance management

Information requested was not available and supplied without any significant delay. The municipal entity's systems were not appropriate to facilitate preparation of the performance reports. Furthermore, pertinent information was not identified and captured in a form and timeframe to support financial and performance reporting.

Governance

Internal audit did not fulfil its responsibilities as set out in legislation and in accordance with accepted best practice and standards. Ongoing monitoring and supervision were not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting.

Auditor-General

Pretoria
30 November 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence